

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 IO-13 CIAE-00 PM-05 H-01 INR-07
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
USIA-06 AID-05 COME-00 EB-08 FRB-03 TRSE-00
XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 /099 W
-----007842 061136Z /13

P R 060835Z AUG 77
FM AMEMBASSY ANKARA
TO SECSTATE WASHDC PRIORITY 8414
INFO AMCONSUL ADANA
AMEMBASSY ATHENS
AMEMBASSY BRUSSELS
AMCONSUL ISTANBUL
AMCONSUL IZMIR
AMEMBASSY NICOSIA
AMEMBASSY PARIS
USMISSION USUN NEW YORK
USDOCOSOUTH NAPLES
EUCOM
USCINCEUR
CINCUSAFE
USDOCOLANDSOUTHEAST IZMIR
DIA WASHDC

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USOECD, USEEC

E.O. 11652: N/A
TAGS: PINT, EFIN, ECON, TU
SUBJECT: DEMIREL AND USTUNEL MEET THE PRESS

1. SUMMARY. TURKISH PRESS OF AUGUST 5 SHOWED STRUGGLE
BETWEEN NEW GOVERNMENT AND OPPOSITION TO BE MOVING
INCREASINGLY INTO ECONOMIC TOPICS. PRIME MINISTER
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DEMIREL DEALT MAINLY WITH ECONOMIC ISSUES IN AN INTERVIEW
IN HURRIYET, SEEKING TO PLAY DOWN THE SIZE OF TURKEY'S
ECONOMIC PROBLEMS AND SUGGESTING THAT THE SECOND DEMIREL
COALITION NEED ONLY TO FOLLOW BASICALLY THE SAME
ECONOMIC POLICY LINES AS THE FIRST. ALMOST ALL OF OPPOSI-
TION SENATOR BESIM USTUNEL'S AUGUST 4 PRESS CONFERENCE
DISCUSSED THE ECONOMY, WHICH HE DECLARED TO BE "ON THE

BRINK OF BANKRUPTCY". DEMIREL'S STATEMENTS APPEAR OVERLY SANGUINE IN PRESENT DIFFICULT ECONOMIC SITUATION AND INTERNATIONAL FINANCIAL COMMUNITY MAY REQUIRE MORE FUNDAMENTAL REVISIONS OF HIS ECONOMIC POLICIES THAN DEMIREL IS PRESENTLY PREPARED TO ADMIT. END SUMMARY.

2. IN INTERVIEW WITH CUNEYT ARCA YUREK AUGUST 4 IN HURRIYET, DEMIREL SAID GOVERNMENT'S MAIN PROBLEM WAS STRUGGLE AGAINST INFLATION, WHICH HE CHARACTERIZED AS A PERPETUAL PROBLEM IN TURKEY AND INDEED IN EVERY COUNTRY, CITING ESPECIALLY BRITAIN, JAPAN, AND ITALY. DEMIREL PROMISED TO "IMPLEMENT A STABILITY PROGRAM IMMEDIATELY" AND TO MAKE PROPOSED MEASURES KNOWN WITHIN TEN DAYS. AMONG THE MEASURES BEING CONSIDERED ARE: (A) ASSURING SUFFICIENT AND TIMELY SUPPLY OF GOODS IN THE MARKET; (B) ENCOURAGING PRODUCTION; (C) REDUCING CONSUMER LOANS; AND (D) CONTROLLING MONEY SUPPLY.

3. DEMIREL TRACED TURKEY'S FOREIGN EXCHANGE SHORTAGE TO POLITICAL INSTABILITY BEFORE AND AFTER JUNE 5 ELECTION. HE BLAMED ECEVIT GOVERNMENT OF JUNE 21-JULY 21 FOR CAUSING PROBLEM BY CLAIMING TURKEY TO BE BANKRUPT AND CURRENCY TO BE DUE FOR DEVALUATION. DEMIREL'S SOLUTION WAS "TO GO BACK TO THE MEASURES OF THE 1977 PROGRAM AND ASSURE THAT THEY WORK". HE CALLED PROBLEM "DIFFICULT" BUT "NOT GRAVE".
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4. OTHER MEASURES PROMISED BY DEMIREL WERE: THE FIRST PRICE INCREASES FOR GOODS PRODUCED BY STATE ENTERPRISES IN TWO AND A HALF YEARS, ENCOURAGEMENT OF INDUSTRIES THAT WOULD DECREASE UNEMPLOYMENT, A RENT CONTROL AND HOUSING PROGRAM, AND FACILITATION OF INVESTMENT.

5. OPPOSITION SENATOR USTUNEL, FINANCE MINISTER IN ECEVIT'S RECENT SHORT-LIVED GOVERNMENT, DECLARED IN A PRESS CONFERENCE YESTERDAY THAT TURKISH ECONOMY WAS ON THE BRINK OF BANKRUPTCY DUE TO THE POLICIES OF THE DEMIREL GOVERNMENT. HE PREDICTED THAT "IF SERIOUS MEASURES ARE NOT TAKEN, THE INFLATION RATE THIS YEAR WILL EXCEED 30 PERCENT." USTUNEL DENIED CURRENT DEPUTY PRIME MINISTER ERBAKAN'S CLAIM THAT TL 6000 MILLION WAS DRAWN FROM THE CENTRAL BANK ILLEGALLY BY THE ECEVIT GOVERNMENT. ON CONTRARY, HE INSISTED THAT ECEVIT GOVERNMENT HAD FOLLOWED THE MONETARY POLICY ESTABLISHED FOR 1977 BY DEMIREL GOVERNMENT.

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6. COMMENT. ECONOMIC POLICY IS BECOMING BATTLEGROUND
BETWEEN DEMIREL'S COALITION GOVERNMENT AND ECEVIT'S
OPPOSITION REPUBLIC PEOPLE'S PARTY (RPP). DEMIREL,
RETURNING TO POWER AS HEAD OF A SECOND COALITION
ONLY ONE MONTH AFTER END OF HIS FIRST, HAS TO UNDERSTATE
TURKISH ECONOMIC PROBLEMS, WHICH CAME TO FULL BLOOM DURING HIS
LAST TERM IN OFFICE. FOR ITS PART, RPP IS DETERMINED TO
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BRING THE PROBLEMS OUT INTO THE OPEN AND EVEN TO DESCRIBE

THEM IN SENSATIONAL TERMS. DEMIREL'S CHARACTERIZATION OF INFLATION AS A PERPETUAL AND UNIVERSAL PROBLEM IS ATTEMPT TO ABSOLVE FORMER COALITION FROM ANY BLAME. BUT RPP WILL BE BLAMING IT FOR ALL TURKEY'S ECONOMIC DIFFICULTIES, AND, SINCE DEMIREL'S PRESENT GOVERNMENT IS ESSENTIALLY THE SAME IN ITS COMPOSITION AS HIS LAST, RPP WILL ALSO BE CHARGING CURRENT COALITION, AS WELL, WITH ECONOMIC INEPTNESS.

7. ALTHOUGH IT IS TOO SOON TO JUDGE FINALLY, IT APPEARS THAT COURSE OF ACTION INTENDED BY SECOND DEMIREL COALITION IS ESSENTIALLY THE SAME AS THAT FOLLOWED BY THE FIRST. IN VIEW OF EMBASSY, HOWEVER, DEMIREL GOVERNMENT MAY WELL FIND IT IMPOSSIBLE TO PROCEED ALONG SAME OLD TRACK. DEMIREL'S FACILE ASSERTION AT HIS RECENT PRESS CONFERENCE THAT "THE COUNTRY WILL BE ABLE TO REPAY ITS DEBTS AND BUY WHAT IT NEEDS" IS OPEN TO QUESTION IF HE CONTINUES TO APPLY POLICIES OF FIRST COALITION. TO OBTAIN EMERGENCY CREDITS AND INVESTMENT FINANCING, TURKEY IS SURELY GOING TO HAVE TO SATISFY IMF AND COMMERCIAL BANKS THAT IT IS FOLLOWING A REALISTIC ECONOMIC STABILIZATION PROGRAM. MEASURES TO WHICH DEMIREL ALLUDED IN THIS PRESS CONFERENCE ARE LIMITED AND APPEAR INSUFFICIENT TO THIS END.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRESS CONFERENCES
Control Number: n/a
Copy: SINGLE
Sent Date: 06-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977ANKARA05883
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770282-0983
Format: TEL
From: ANKARA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770890/aaaacxyw.tel
Line Count: 195
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 3f50e360-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
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Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1690694
Secure: OPEN
Status: NATIVE
Subject: DEMIREL AND USTUNEL MEET THE PRESS
TAGS: PINT, EFIN, ECON, SOPN, PGOV, TU
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/3f50e360-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009